

**NORTHWEST IOWA MENTAL  
HEALTH CENTER  
D/B/A SEASONS CENTER FOR  
COMMUNITY MENTAL HEALTH**

# **NORTHWEST IOWA MENTAL HEALTH CENTER D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**

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**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
BOARD OF DIRECTORS**

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<u>Name</u>	<u>Title</u>	<u>County Represented</u>
Darwin Beltman	President	Osceola
Jake Moermond	Vice-President	O'Brien
Sylvia Schoer	Secretary-Treasurer	Clay
Charlene Anderson	Director	Buena Vista
Herb Crampton	Director	Buena Vista
Paul Merten	Director	Buena Vista
Del Brockshus	Director	Clay
Marilyn White	Director	Clay
Mardi Allen	Director	Dickinson
David Gottsche	Director	Dickinson
George Morris	Director	Dickinson
Roger Anderson	Director	Emmet
Ron Smith	Director	Emmet
Randy Bosch	Director	Lyon
Steve Michael	Director	Lyon
Tom Farnsworth	Director	O'Brien
Daryl Streng	Director	Osceola
Mary Green	Director	Palo Alto
Jerry Hofsted	Director	Palo Alto
Keith Wirtz	Director	Palo Alto
Judith McDonough	Executive Director	



## INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
Northwest Iowa Mental Health Center  
D/B/A Seasons Center For Community Mental Health  
Spencer, Iowa

We have audited the accompanying statements of financial position of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health** as of June 30, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health** as of June 30, 2007 and 2006, and the changes in it's net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2007 on our consideration of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sioux Falls, South Dakota  
September 11, 2007

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**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 2007**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 402,845	\$ 356,530
Receivables		
Patient, net of estimated uncollectibles	205,591	221,670
of \$110,000 in 2007 and \$100,000 in 2006		
Accounts receivable, counties and		
other governmental agencies	188,704	129,951
Accrued Interest	-	5,602
Supplies	15,076	6,500
Prepaid expenses	56,826	49,365
	<u>869,042</u>	<u>769,618</u>
Total current assets		
<b>PROPERTY AND EQUIPMENT</b>	<u>445,665</u>	<u>487,847</u>
<b>OTHER ASSETS</b>		
Investment	<u>11,000</u>	<u>11,000</u>
	<u>\$ 1,325,707</u>	<u>\$ 1,268,465</u>
Total assets		
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable		
Trade	\$ 48,903	\$ 28,109
Accrued expenses		
Salaries and wages	45,356	44,161
Vacation	84,012	79,737
Payroll taxes and other	11,171	15,199
	<u>189,442</u>	<u>167,206</u>
Total liabilities		
<b>NET ASSETS</b>		
Unrestricted	<u>1,136,265</u>	<u>1,101,259</u>
	<u>1,136,265</u>	<u>1,101,259</u>
Total net assets		
	<u>\$ 1,325,707</u>	<u>\$ 1,268,465</u>
Total liabilities and net assets		

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2007**

	<u>2007</u>	<u>2006</u>
<b>PUBLIC SUPPORT AND REVENUES</b>		
Public support		
Counties	\$ 1,180,082	\$ 1,168,140
Federal grants	107,137	230,489
Other grants	102,666	97,058
Contributions	702	292
	<u>1,390,587</u>	<u>1,495,979</u>
Total public support		
Revenues		
Net patient and resident services	1,801,889	1,878,552
Other program and fee income	366,726	358,680
Investment income	31,470	21,747
Miscellaneous income	14,021	18,169
	<u>2,214,106</u>	<u>2,277,148</u>
Total revenues		
Total support and revenues	<u>3,604,693</u>	<u>3,773,127</u>
<b>EXPENSES</b>		
Outpatient care	849,692	803,790
Community support	232,693	211,251
Case management	268,211	247,872
ISP Grant	106,926	204,553
Psychiatric	639,402	680,259
Administration	466,788	470,855
Oak Haven Care Facility	1,005,977	948,732
	<u>3,569,687</u>	<u>3,567,311</u>
Total expenses		
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>35,006</b>	<b>205,816</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>-</b>	<b>6,159</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>35,006</b>	<b>211,975</b>
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>-</b>	<b>(6,159)</b>
<b>INCREASE IN NET ASSETS</b>	<b>35,006</b>	<b>205,816</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>1,101,259</b>	<b>895,443</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,136,265</b>	<b>\$ 1,101,259</b>

**NORTHWEST IOWA MENTAL HEALTH CENTER**  
**D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2006**

	OUT- PATIENT	COMMUNITY SUPPORT	CASE MANAGEMENT
Salaries and wages	\$ 565,478	\$ 149,519	\$ 178,855
Purchase of services	12,547	465	515
Payroll and unemployment taxes	36,362	10,387	12,014
Workers compensation	2,710	788	900
Medical insurance	34,151	11,577	8,794
Retirement	18,578	5,282	6,191
Staff development	9,271	2,101	4,117
Recruiting and moving	574	276	718
Malpractice insurance	1,617	1,903	2,861
Psychiatric and medical supplies	0	-	-
Pharmacy and other medical services	(0)	-	-
Work activities expense	(0)	-	-
Auto insurance	506	514	595
Auto repairs and maintenance	887	997	222
Auto gas	1,668	1,262	1,666
Mileage	24,517	8,553	2,882
Other travel expenses	345	19	22
Rent	30,557	8,178	7,996
Insurance	2,952	1,567	1,164
Depreciation	38,820	8,533	9,650
Utilities	9,453	2,336	2,928
Building repairs and maintenance	4,243	3,693	4,288
Professional services	1,190	336	408
Computer services	5,092	1,489	1,831
Board and administrative expenses	1,207	332	435
Dues and subscriptions	1,662	459	556
Advertising and promotion	1,184	332	380
Supplies	2,456	958	1,361
Postage	3,443	1,072	1,483
Printing	721	123	199
Telephone	21,480	6,420	6,710
Rentals	12,750	2,353	7,585
Equipment repair and maintenance	1,773	604	731
Food and provisions	518	26	131
Bank and credit card charges	982	239	22
	<u>\$ 849,692</u>	<u>\$ 232,693</u>	<u>\$ 268,211</u>

See Notes to Financial Statements

ISP GRANT	PSYCHIATRIC	ADMIN	OAK HAVEN	TOTALS	
				2007	2006
\$ 72,529	\$ 326,563	\$ 339,778	\$ 660,004	\$ 2,292,726	\$ 2,267,998
7,580	107,191	644	163	129,104	88,047
-	26,979	25,565	50,173	161,479	150,243
-	1,993	2,494	8,586	17,471	17,457
14,172	32,514	39,259	51,714	192,181	243,835
-	14,010	11,322	19,644	75,027	58,037
1,725	2,165	2,590	3,563	25,532	19,395
-	8,002	150	1,554	11,274	5,982
-	6,600	2,698	6,276	21,955	32,583
-	-	-	1,650	1,650	2,580
-	-	84	1,826	1,910	9,786
-	-	-	5,261	5,261	3,346
1,479	1,386	-	2,299	6,779	6,210
2,741	63	184	3,013	8,107	8,675
3,230	66	-	4,023	11,914	10,722
1,102	5,325	5,514	3,496	51,389	44,342
-	51	-	-	437	2,707
-	22,326	-	12,000	81,057	67,300
-	2,700	290	6,357	15,029	27,291
-	23,001	2,844	4,646	87,493	70,244
-	6,734	7,321	41,584	70,357	81,618
-	10,286	381	18,339	41,231	45,821
-	959	4,228	730	7,850	14,310
-	3,869	11,015	2,393	25,689	19,649
-	959	467	1,025	4,426	26,189
-	1,335	-	2,636	6,647	6,092
-	917	312	126	3,251	593
311	3,143	2,419	1,995	12,643	28,007
835	3,670	1,273	1,655	13,432	13,176
-	649	29	-	1,720	2,372
850	16,345	4,725	6,302	62,833	58,510
-	7,803	629	9,644	40,764	50,156
-	1,348	152	2,920	7,527	7,931
371	70	17	70,284	71,418	74,012
-	380	404	97	2,124	2,095
<u>\$ 106,926</u>	<u>\$ 639,402</u>	<u>\$ 466,788</u>	<u>\$ 1,005,977</u>	<u>\$ 3,569,687</u>	<u>\$ 3,567,311</u>



**NORTHWEST IOWA MENTAL HEALTH CENTER**  
**D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007**

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 35,006	\$ 205,816
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	87,493	70,244
Changes in assets and liabilities		
Accounts receivable - patient fees, net	16,079	10,683
Accounts receivable - counties and other governmental agencies	(58,753)	(54,597)
Accrued interest receivable	5,602	(5,602)
Inventory	(8,576)	-
Prepaid expenses	(7,461)	22,290
Accounts payable	20,794	(38,146)
Accrued payroll	(2,833)	(7,653)
Accrued vacation pay	4,275	(6,577)
NET CASH FROM OPERATING ACTIVITIES	<u>91,626</u>	<u>196,458</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(45,311)</u>	<u>(112,118)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,315	84,340
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>356,530</u>	<u>272,190</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 402,845</u></u>	<u><u>\$ 356,530</u></u>

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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**NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health (Center) is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Center provides these services based on an agreement with various county boards of supervisors as provided for in Chapter 230A.3(2) of the Code of Iowa. Services are provided to individuals in an eight-county area which includes Buena Vista, Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, and Palo Alto counties. In addition, the Center manages the Oak Haven Residential Care Facility in Dickinson County.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

*Patient and Resident Receivables*

Patient receivables are uncollateralized patient, resident and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

*Supplies*

Supplies are stated at lower of cost (first in, first out) or market.

## NOTES TO FINANCIAL STATEMENTS

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### *Reclassifications*

Reclassifications have been made to the June 30, 2006 financial presentation to make it conform to the current year presentation. The reclassification had no effect on previously reported operating results or changes in net assets.

### *Property and Equipment*

Property and equipment acquisitions in excess of \$2,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5-50 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

### *Temporarily and Permanently Restricted Net Assets*

Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Center in perpetuity. As of June 30, 2007 and 2006, the Center did not have any temporarily or permanently restricted net assets.

### *Net Patient Service Revenue*

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

### *Advertising Costs*

The Center expenses advertising costs as incurred.

### *Functional Allocation of Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 - INVESTMENTS

The Center owns 110 shares of Class C stock of Tri-State Behavioral Health Associates, Inc., which represents an 11% ownership in a closely-held corporation. Tri-State is a for-profit consortium of mental health and substance abuse agencies and private psychiatric practitioners. It was formed as a management service organization to coordinate provider and hospital participation in managed care contracting and arrange for the provision and management of quality, cost-effective behavioral health care services. This investment is recorded on the financial statements at cost. There is no ready market for the Class C stock at present. The Center received \$11,000 in dividends during each of the fiscal years ended June 30, 2007 and 2006.

### NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2007 and 2006, follows:

	2007		2006	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings and improvement	\$ 745,735	\$ 432,867	\$ 732,610	\$ 410,915
Vehicles	38,019	21,128	71,269	46,174
Furniture and equipment	927,589	811,683	895,402	754,345
	<u>\$ 1,711,343</u>	<u>\$ 1,265,678</u>	<u>\$ 1,699,281</u>	<u>\$ 1,211,434</u>
		<u>\$ 445,665</u>		<u>\$ 487,847</u>

### NOTE 4 - LEASE COMMITMENTS

On August 13, 1976, the Center entered into a lease with Spencer Municipal Hospital, Spencer, Iowa, for land on the hospital grounds on which to construct the mental health facility. The lease of the hospital's land provides for a \$1 a month payment from the Center for fifty years. At the expiration of the fifty years, the property will revert back to Spencer Municipal Hospital.

The Center leases office space and equipment under noncancelable long term lease agreement. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2007 and 2006, for all operating leases was \$99,967 and \$77,435.

Minimum future lease payments for the operating leases are as follows:

<u>Year Ending June 30:</u>	<u>Operating Leases</u>
2008	\$ 97,974
2009	49,100
2010	42,688
2011	31,872
2012 and after	25,100
Total Minimum Lease payments	<u>\$ 246,734</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - PENSION PLAN

The Center maintains a 401(k) plan administered by The Hartford Company. The plan covers substantially all full time employees. For the year ended June 30, 2007, the Center contributed an amount equal to 4% of the annual salary for each employee participating in the plan, although this is not required by the terms of the plan. The Center had contributed between 2% to 5% of eligible annual salaries in prior years. The plan also allows employees to make pre-tax contributions if they so desire. Employer contributions credited to individual participants are subject to a five-year vesting schedule. The vested accumulated monies are paid upon a participant's retirement or termination. The Center's retirement expense totaled \$75,027 and \$58,037 for the years ended June 30, 2007 and 2006.

### NOTE 6 - CONCENTRATION OF CREDIT RISK

The Center provides counseling to individuals in an eight-county area. The Center grants credit to these individuals and the eight counties. The Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2007 and 2006, was as follows:

	<u>2007</u>	<u>2006</u>
Medicare	18%	23%
Blue Cross	11%	12%
Medicaid	24%	23%
Commercial insurance	11%	10%
Other third-party payors and patients	36%	32%
	<u>100%</u>	<u>100%</u>

The Center's cash balances are maintained in various bank accounts. At various times during the year the balances in these bank accounts were over the FDIC insurance limits.

### NOTE 7 - FUNCTIONAL EXPENSES

The Center provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Patient health care services	\$ 3,102,899	\$ 3,096,456
General and administrative	466,788	470,855
	<u>\$ 3,569,687</u>	<u>\$ 3,567,311</u>

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 8 - ECONOMIC DEPENDENCY ON MEMBER COUNTIES AND THIRD-PARTY PAYORS**

The Center received \$912,674, or 25% of the Center's total revenues, from the eight member counties during the year ended June 30, 2007, for mental health services. In addition another \$366,726 or 10% of total revenues, was received from four of the counties for case management fees, related to those county residents. Together this represents 35% of the Center's total support and revenue. The Counties also purchased services totaling \$252,868 from Oak Haven for residents living at the facility. This represents 27% of Oak Haven's total support and revenue.

The Center also received a substantial amount of its revenue from third-party payors, such as Medicare, Medicaid and Blue Cross. A significant reduction in reimbursement from any of these parties could have a material impact on the Center's programs and services.

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**

***SUPPLEMENTARY INFORMATION***



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Northwest Iowa Mental Health Center  
D/B/A Seasons Center For Community Mental Health  
Spencer, Iowa

We have audited the financial statements of Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health as of and for the year ended June 30, 2007, and have issued our report thereon dated September 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of findings and responses as findings 07-1 and 06-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organizations internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health in a separate letter dated September 11, 2007.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eric Bailey CPA". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota  
September 11, 2007

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2006**

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**FINDING 07-1**

*Condition:* The Facility does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting standards generally accepted in the United States of America.

*Criteria:* A good system of internal control contemplates the ability on the part of management to prepare complete financial statements which includes all footnote disclosures in accordance with general accepted accounting principles.

*Effect:* The inability to prepare the financial statements in accordance with accounting standards generally accepted in the United States of America, may affect the ability to properly report the Facility's financial position and results of operations.

*Recommendations:* While we recognize that management may not have the experience and expertise to prepare the financial statements, it is important that you aware of this condition.

*Response:* Management has requested the auditors to draft the financial statements and accompanying notes to the financial statements in accordance with auditing standards generally accepted in the United States of America.

**FINDING 06-1**

*Condition:* The Facility has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

*Criteria:* A good system of internal accounting control contemplates an adequate segregation of duties so that not one individual handles a transaction from its inception to its completion.

*Effect:* Inadequate segregation of duties could adversely affect the Facility's ability to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* While we recognize that your office staff may not be large enough to assure optimal internal control, it is important that you are aware of this condition. Under this condition, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

*Response:* Management does not plan to respond to the finding, as management believes that it is not possible to implement a cost effective solution at this time.

**NORTHWEST IOWA MENTAL HEALTH CENTER  
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2006**

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The prior year audit finding 06-01 was repeated as part of the year ended June 30, 2007, report.